



Sean Rogan
Executive Director

**COMMUNITY DEVELOPMENT COMMISSION
of the County of Los Angeles**

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**Gloria Molina
Mark Ridley-Thomas
Zev Yaroslavsky
Don Knabe
Michael D. Antonovich**
Commissioners

July 09, 2013

The Honorable Board of Commissioners
Community Development Commission
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

ADOPTED

Community Development Commission

1-D July 9, 2013

SACHI A. HAMAI
EXECUTIVE OFFICER

Dear Commissioners:

**APPROVE LOAN AGREEMENT WITH KERNWOOD TERRACE APARTMENTS LTD FOR
KERNWOOD TERRACE APARTMENTS LOCATED AT 337 N. MEDNIK AVE., IN
UNINCORPORATED EAST LOS ANGELES COUNTY
(DISTRICT 1) (3 VOTE)**

SUBJECT

This letter recommends approval for the Community Development Commission (Commission) to enter into a loan agreement with Kernwood Terrace Apartments Ltd. Approval of this action will preserve and increase the affordability term of 51 senior units at the Kernwood Terrace Apartments.

IT IS RECOMMENDED THAT THE BOARD:

1. Authorize the Executive Director, or his designee, to negotiate, execute, amend, and if required, terminate a Loan Agreement and all related documents with Kernwood Terrace Apartments Ltd., (Borrower), to allow the Borrower to repay an existing loan to the Commission in the amount of \$173,855 and to assume \$823,164 of existing debt incurred by a prior ownership entity of the Kernwood Terrace Apartments, a 51-unit senior housing development in unincorporated East Los Angeles.
2. Authorize the Executive Director or his designee to terminate all existing agreements between the Commission and prior ownership entities of the Kernwood Terrace Apartments.
3. Find that entering into the Loan Agreement and related documents with Kernwood Terrace Apartments Ltd., is not subject to the provisions of the California Environmental Quality Act (CEQA), as described herein, because the action is not defined as a project under CEQA.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The purpose of these actions is to authorize the Commission to enter into a Loan Agreement with Kernwood Terrace Apartments Ltd., (Borrower) which would allow it to repay an existing loan to the Commission in the amount of \$173,855 and to assume \$823,164 of existing debt on the property which was incurred by a prior ownership entity. These actions will preserve the affordable senior units at the Kernwood Terrace Apartments.

FISCAL IMPACT/FINANCING

No new funding is being requested.

The \$823,164 loan that is being assumed by Kernwood Terrace Apartments Ltd., was made with Community Development Block Grant (CDBG) Funds in 1983.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On March 23, 1973, the Board of Supervisors adopted Ordinance No. 10.661 which created the "Maravilla Redevelopment Plan." The Plan included 51 units of affordable housing for seniors at the Kernwood Terrace Apartments located at 337 N. Mednik Avenue in unincorporated East Los Angeles. In 1983, the Commission entered into a Disposition and Development Agreement with a joint venture between California Corporations S.H.B. Financial Corp. and National Housing Consultants, Inc., to develop the Kernwood Terrace Apartments.

In 2011, Kernwood Terrace Apartments Ltd., purchased the site from Kernwood Terrace Company Ltd., and funded an acquisition loan through the Los Angeles County Housing Innovation Fund (LACHIF). The purpose of the sale was to develop a plan that would add 26 new affordable senior housing units to the existing complex for a total of 77 senior units. Redevelopment funds allocated to the Maravilla redevelopment area were to help fund the increase. Unfortunately, as a result of the dissolution of redevelopment agencies, the owner does not feel there is sufficient financing available to proceed with the addition of the 26 units at this time.

Kernwood Terrace Apartments Ltd., has secured private financing to repay the LACHIF loan, the principal on the Commission's second loan of \$121,519, and all of the accrued interest for a total of \$173,855.

Kernwood Terrace Apartments Ltd., has requested that the Commission allow it to assume the remaining third loan of \$823,164 and reduce the interest on the loan from 12.5% to 3% simple interest per annum with a 30-year term. The interest on the third loan will not be reduced until execution of the Loan Agreement, Note and Deed of Trust, and will remain payable until the documents are executed. The Borrower will make annual payments of \$3,500 in addition to providing 50% of residual receipts as payments on the third loan. Kernwood Terrace Apartments Ltd., has agreed to extend the affordability of the senior units at Kernwood Terrace for an additional 30 years in exchange for the loan assumption and interest reduction. Instead of amending antiquated agreements to reflect these changes, execution of a new Loan Agreement and related documents will allow updated provisions and requirements to be included.

ENVIRONMENTAL DOCUMENTATION

This action is exempt from the provisions of the National Environmental Policy Act pursuant to Title 24 of the Code of Federal Regulations, Part 58, Section 58.34 (a)(3) because it involves administrative activities that will not have a physical impact on or result in any physical changes to the environment. This action is not subject to the provisions of CEQA pursuant to State CEQA Guidelines 15060 (c)(3) and 15378 because it is not defined as a project under CEQA and does not have the potential for causing a significant effect on the environment.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

This Loan Agreement will allow repayment of the Commission loan and extend the affordability term for 51 affordable senior housing units at the Kernwood Terrace Apartments in unincorporated East Los Angeles.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Sean Rogan", followed by a horizontal line.

SEAN ROGAN

Executive Director

SR:CC:cr